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04-CV-00331-CMP

CC: TO JUDGE ZG

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AT SEATTLE CLERK U.S. DISTRICT CONFRT WESTERN DISTRICT OF WASHINGTON

UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON AT SEATTLE

CHRISTOPHER MATTHES,)

Plaintiff,

v.

ZECO HOLDINGS, INC., COREY M. ZEMBRUSKI, and ROBIN PRICE,

Defendants.

COMPLAINT REGARDING 1 2 UNLAWFUL OFFER AND SALE OF SECURITIES

Plaintiff alleges as follows:

JURISDICTION

- The following statutes provide jurisdiction over plaintiff's
- 4 federal-law claims: Section 22(a) of the Securities Act of 1933
- 5 (15 U.S.C. § 77v(a)); Section 27 of the Securities Exchange Act of 1934
- 6 (15 U.S.C. § 78aa); and the statute codified at 28 U.S.C. § 1331
- 7 (federal question jurisdiction).

COMPLAINT - page 1

THOMAS CLINE ATTORNEY AT LAW 5308 BALLARD AVE NW SEATTLE WA 98107 (206) 789-2777 2. Section 310 of the Judicial Improvements Act of 1990 (28 U.S.C. § 1367) provides supplemental jurisdiction over plaintiff's state-law claims.

DEFENDANTS

- 3. Defendant Zeco Holdings, Inc. is an active Washington business corporation with its principal place of business in Burlington,
 Washington.
- 4. Defendant Corey M. Zembruski resides in Burlington,
 Washington and has been, at all relevant times, the sole shareholder
 and a director of Zeco Holdings, Inc.
 - 5. Defendant Robin Price resides in Burlington, Washington and has been, at all relevant times, a director of Zeco Holdings, Inc.

OFFER AND SALE OF SECURITIES

- 6. Beginning on or about the 16th of May 2003 defendants Zembruski and Price, acting on behalf of the corporate defendant, made offers by mail and by telephone to persons residing in the states of Washington and Pennsylvania to sell corporate notes, payable in four years, and attempted thereby to raise two-hundred fifty thousand dollars for the establishment of a new branch office for an existing mortgage brokerage business.
- 7. In response to this offer plaintiff Christopher Matthes agreed to purchase a note and delivered to defendant Zembruski a bank check payable to the corporate defendant in the amount of seventy thousand dollars.
- 8. Prior to delivery of this check defendants Zembruski and Price, acting in their capacities as corporate directors, signed their

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- names to a resolution of the corporate defendant to accept the seventy-
- thousand dollar transfer and issue a note to the plaintiff.

COUNT ONE: LACK OF FEDERAL REGISTRATION

9. The note issued by Zeco Holdings, Inc. is an unregistered security for which registration with the Securities and Exchange Commission is required by the Securities Act of 1933.

COUNT TWO: LACK OF WASHINGTON REGISTRATION

10. The note issued by Zeco Holdings, Inc. is an unregistered security for which registration with the Washington Department of Financial Institutions is required by the Washington Securities Act.

COUNT THREE: MISREPRESENTATIONS AND OMISSIONS ACTIONABLE UNDER FEDERAL LAW

defendants Zembruski and Price, deliberately or recklessly and in violation of the Securities Act of 1933 and the Securities Exchange Act of 1934, made untrue statements of material fact and omitted to state material facts necessary in order to make their statements not misleading, to wit, (a) they failed to disclose that Zembruski had been convicted of nine felony counts of theft by embezzlement in 1997, (b) they failed to disclose that their principal residence was the subject of a pending trustee's sale, (c) they falsely represented that the proceeds of the note would be used to establish a branch office for an existing business, (d) they failed to disclose that the corporate defendant did not have the proper State of Washington license to operate as a mortgage broker or any other financial business, (e) they falsely represented that a Washington business corporation named

- A+ Mortgage, Inc. was owned by the corporate defendant, and (f) they ı
- falsely represented that the corporate defendant owned eleven branch 2
- offices. 3

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COUNT FOUR: MISREPRESENTATIONS AND OMISSIONS ACTIONABLE UNDER WASHINGTON LAW

12. The omissions and false statements mentioned in the 6 preceding paragraph also constitute violations of the Washington 7 Securities Act, but without regard to any mental state of the defendant 8 speaking or under a duty to speak.

COUNT FIVE: EMOTIONAL DISTRESS

13. As a reasonably foreseeable consequence of the omissions and false statements mentioned in Paragraph 11, plaintiff has suffered emotional distress, for which, he should be reasonably compensated.

COUNT SIX: FRAUDULENT TRANSFERS

- 14. Since receiving the investment from the plaintiff, the corporate defendant has made transfers to or on behalf of defendants Zembruski and Price which are deemed fraudulent by the Uniform Fraudulent Transfer Act.
- WHEREFORE, plaintiff prays that the court grant him the 20 following relief: 21
- Whatever provisional remedies might be permissible 22 under Fed. R. Civ. P. 64 to secure satisfaction of any judgment 23 ultimately to be entered in plaintiff's favor; 24
- Judgment against the corporate defendant for rescission of the unlawful securities purchase and for return of the \$70,000 paid 26

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- by plaintiff, plus unpaid interest from the date of the purchase, plus attorney's fees and costs;
 - 3. Judgment jointly and severally for damages against defendants Zembruski and Price in the amount of \$70,000, plus interest from the date of the security purchase, plus attorney's fees and costs, for violation of federal and state securities laws and for accepting fraudulent transfers from the corporate defendant;
 - 4. Judgment jointly and severally against each of the defendants in an amount that would reasonably compensate plaintiff for his emotional distress; and
- 5. Whatever additional legal or equitable relief would be just under the circumstances including injunctive relief.

DATED this 17th day of February 2004.

Thomas Cline Attorney for Plaintiff

WSBA 11772

THOMAS CLINE

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